



MINUTES

Executive Staff:

Eric Stern
Chief Executive Officer

Steve Davis
Chief Investment Officer

Stephen Lau
General Counsel

Stephen Hawley
Chief Strategy Officer

Mario Sierras
Chief Benefits Officer

REGULAR MEETING OF THE BOARD OF RETIREMENT

SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM

WEDNESDAY, OCTOBER 21, 2020

10:00 A.M.

Location: BLUEJEANS TELECONFERENCE

OPEN SESSION

Item 1. Call to Order—The meeting was convened at 10:05 a.m.

Mr. Fowler stated that the meeting was occurring via teleconference under Executive Order N-25-20 which relaxed provisions of the Brown Act to make it easier for local government boards to conduct board meeting without convening in the same physical location. Mr. Fowler took a roll call of other members present:

1. John Kelly
2. Keith DeVore
3. James A. Diepenbrock
4. Dave Comerchero
5. Diana Gin
6. Ben Lamera
7. Martha Hoover
8. Matt Petersen
9. Kathy O'Neil

Item 2. Public Comment—None

OPEN SESSION

CONSENT MATTERS – ITEMS 3-13:

The Board approved the Consent Matters Items 3-13 (9-0).

Item 3. Disability Retirement Applications

- A. ALCARAZ, Rachel; Granted a nonservice-connected disability retirement as recommended by staff.
- B. HANCOCK, Luz; Granted the application for service-connected disability retirement, and denied the application for nonservice-connected disability per proposed decision of the Administrative Law Judge.
- C. HILL, Phil; Granted a service-connected disability retirement as recommended by staff.
- D. WHITE, Robert; Granted a service-connected disability retirement as recommended by staff.
- E. WYATT, Dalton; Granted a nonservice-connected disability retirement
- F. Reference: General Law and Authorized Board Actions on Disability Retirement Proposed Decisions.

Item 4. Minutes of the Audit Committee Meeting—Approved the Audit Minutes of the September 15, 2020 meeting.

Item 5. Minutes—Approved the Minutes of the September 16, 2020 meeting

Item 6. Ratification of Service Retirement Application Approvals—October 2020—Ratified the Service Retirement Applications that were finalized in the previous month.

Item 7. CEO Delegated Authority Expense Report—Received and filed the report of CEO approved expenses for the previous quarter.

Item 8. Strategic Management Plan—Quarterly Performance Report—Received and filed a report on the strategic management plan from the previous quarter.

Item 9. IT Modernization Project Quarterly Report—Received and filed a report regarding the state of SCERS' IT projects from the previous quarter.

Item 10. Placement Agent Disclosure Report—Received and filed the report summarizing placement agent activity from the previous quarter.

Item 11. State Association of County Retirement Systems Legislative Update – October 2020—Received and filed the SACRS Legislative Update for October.

Item 12. Monthly Investment Manager Activity, Compliance, and Watch List Report—September 2020—Received and filed the Monthly Investment Manager Activity, Compliance, and Watch List report for the previous month.

Item 13. Monthly Report of Investment Activity—September 2020—Received and filed the report summarizing SCERS' investment activity from the previous month.

EXECUTIVE REPORTS:

Item 14. Chief Executive Officer's Report

Mr. Stern provided the following updates on SCERS activities:

- Mr. Stern announced that SCERS' 20-year-old data system, MBASE, will be turned off that night and Ariel will "Go Live," becoming the SCERS system of record for pension administration. Improvements include:
 1. Full automation of retirement benefit processing including calculations and automated correspondence generation.
 2. Service credit records will be maintained in units of years of service instead of hours.
 3. The member portal will become available at members.scers.org allowing active members to self-register for portal access; view their demographic, wages, contributions, etc. online; update personal information.
 4. The employer portal will go live but will be used initially by SCERS staff.
 5. Much additional functions including member annual statement generation, COLA processing actuarial data extract.
- Mr. Stern reported that staff is reviewing all new retirement applications coming in to remove the excluded pay elements under the *Alameda* ruling, as SCERS continues to work with the County to identify the impacted population going back to 2013. Mr. Stern noted that this is going to take several more months of work.
- Mr. Stern reported that the County expects to have its payroll system updated in January 2021 to ensure retirement contributions are not being deducted on the excluded items. SCERS will work with the County on refunding overpaid contributions.
- Mr. Stern reported that the County is actively working on identifying employees who received the excluded pay elements back to 2013. This affects the current retiree population as well as current and deferred members.
- Mr. Stern reported that this effort is expected to take a few more months, but there is a silver lining in that our new IT system has functionality that will allow us to make these corrections in a more automated way once the data is received.
- Mr. Stern reminded the Board that the meeting in November is a special meeting to discuss strategic goals and his performance review. Mr. Stern noted that the next Audit Committee meeting will be held on November 19. Mr. Stern provided an overview for the December 9 meeting. SCERS will present the CAFR, the actuarial valuation, and also several investment items.

Item 15. Chief Investment Officer's Report

- Mr. Davis provided an update on SCERS' quarterly performance. Mr. Davis stated that SCERS' Portfolio returned 4.5% during the third quarter, which puts

SCERS' fiscal year performance at a range between 4% and 5%. Mr. Davis noted the resiliency of the SCERS portfolio across the asset classes, and noted that all asset classes generated positive returns. Private market assets are lagged a quarter, so the third quarter Verus report will reflect positive Q2 returns, and some recovery from the negative returns in the first quarter.

- Mr. Davis stated there is a lot of uncertainty around the pandemic, combined with the outcome of the U.S. presidential election, so it wouldn't be surprising to see market volatility pick back up at some point.
- Mr. Davis provided an update on asset liability study kickoff education. Mr. Davis noted that at the December meeting, Verus and Staff will conduct an education session that will serve as a kick off to SCERS' next asset liability modeling (ALM) study, which will be conducted in 2021.
- Mr. Davis noted that the education session will provide:
 - Background on ALM studies
 - Steps in the ALM process
 - Details on an upcoming Enterprise Risk Tolerance survey that will be conducted with the Board, similar to the survey in 2016
 - Recap of the last ALM study in 2016
 - Expectations for the 2021 study
- Mr. Davis informed the Board that staff and Verus conducted investment manager interviews with semi-finalist candidates for the ongoing U.S. equity small cap value search. Mr. Davis anticipates a manager recommendation at the December meeting.

BENEFIT MATTERS:

Item 16. Final Compensation Review Policy

General Counsel Stephen Lau presented the staff recommendation to make conforming revisions to the Final Compensation Review Policy to comply with the California Supreme Court opinion in *Alameda County Deputy Sheriff's Association et al. v. Alameda County Employees' Retirement Association and Board of Retirement of ACERA*. Staff also recommended incorporating the Compensation Earnable Policy on Overtime, CTO-Expired, and CTO-Over-Max into the Final Compensation Review Policy. The Board approved a motion to adopt the staff recommendation. **(8-0)**

Item 17. Sick Leave Conversion Policy

Mr. Stern presented the final version of the Sick Leave Conversion Policy. Mr. Stern stated the policy clarifies procedures for converting unused sick leave into service credit at retirement, and no additional comments were received following the second draft version of the policy. The Board approved a motion to adopt the policy. **(8-0)**

INVESTMENT MATTERS:

Item 18. Education: Fiduciary Standard of Care Policy

Chief Investment Officer Steve Davis, General Counsel Stephen Lau, fiduciary counsel Lance Kjeldgaard, and Yulia Oryol of Nossaman LLP provided an education overview and discussion of the Board’s fiduciary duties and considerations when entering into alternative asset investment contracts. **(8-0)**

Item 19. Education: Securities Lending

Chief Investment Officer Steve Davis and John Powell from State Street provided an update on SCERS’ securities lending program. **(6-0)**

ADJOURNMENT

There being no further business, the meeting was adjourned at 12:18 p.m.

MEMBERS PRESENT

via teleconference: Keith DeVore, John B. Kelly (absent after Item 4), James Diepenbrock (absent after Item 18), Diana Gin, Dave Comerchero (absent after Item 18), Martha J. Hoover, Matt Petersen, Kathy O’Neil, Ben Lamera, and Rick Fowler presiding.

MEMBERS ABSENT: Alternate Safety Representative is vacant

OTHERS PRESENT

via teleconference: Eric Stern, Chief Executive Officer; Steve Davis, Chief Investment Officer; Stephen Lau, General Counsel; Stephen Hawley, Chief Strategy Officer; Mario Sierras, Chief Benefits Officer; Debbie Chan, Senior Accounting Manager; John Lindley, Senior IT Analyst; Jim Donohue, Deputy Chief Investment Officer; JR Pearce, Senior Investment Officer; Brian Miller, Retirement Investment Officer; Joan Kudin, Public Information Officer; Jamie Feidler, Cliffwater, LLC; John Nicolini and Stuart Odell, Verus Advisory, Inc.; Richard Brown, The Townsend Group; Yuliya Oryol, Nossaman LLP; Lance Kjeldgaard, Chao Thor, Disability Retirement Analyst; Terri Alesci; Jamison Gagner; Michael Bowman; Michael Pinkham; R. Alcaraz; Gar Chung; Christina Yi; Ana Irizarry; and, Debbie Musilli-Sidhu, Executive Secretary.

Respectfully submitted,

/S/

Eric Stern
Chief Executive Officer and
Secretary of the Retirement Board

APPROVED: _____
Richard B. Fowler II, President

DATE: _____